

99-79

February 22, 1999



DOMINGUEZ
SERVICES CORPORATION

Brian J. Brady
President & Chief Executive Officer

Tom Gohring
CALFED Bay-Delta Program
1416 Ninth Street, Suite 1155
Sacramento, CA 95814

Dear Mr. Gohring:

I am Chief Executive Officer of Dominguez Services Corporation, a utility holding company providing water services to 40,000 customers in California. Having reviewed the two proposals on Urban Water Use Efficiency Certification, I would like to offer our views on some of the key components.

First, we'd like to thank you for the time and effort you have put into building consensus and seeking solutions to the problems associated with the Bay-Delta. Your work is critically important to all Californians, and we appreciate the enormity of the task you and your colleagues have undertaken.

Our overriding concern with the certification process is funding. It is our understanding that there has been some debate as to whether private water utilities would have equal access to CALFED funding for the implementation of Best Management Practices (BMPs). Needless to say, unless we are exempted from the penalties associated with non-compliance, we feel it would be a real injustice to exclude us from the incentives associated with complying with the program.

Moreover, because private utilities are regulated by the California Public Utilities Commission (CPUC), it is absolutely critical that the CPUC be involved in the CALFED Bay-Delta Program. We would encourage CALFED to open a line of communication with the CPUC to ensure that the CPUC supports our efforts to implement BMPs and meet the reporting requirements necessary to receive certification.

As to the specifics of the two proposals, and specifically their differences, we take the following positions:

We agree with the Kern County Water Agency/Bear Valley CSD (KCWA/BVCSD) that certification should not be denied due to values assigned to environmental costs/benefits in cost/benefit analysis exemptions. Until we are provided with definitive values for environmental costs and benefits, we should not be denied certification on the basis of our good faith efforts to estimate such values.

We also take the KCWA/BVCSD position that variances on BMP implementation resulting from the "at least as effective as" standard should be communicated in writing

to the California Urban Water Conservation Council (CUWCC) prior to implementation. We do not agree with the California Urban Water Agencies/Environmental Water Caucus (CUWA/EWC) position that approval of the CUWCC should be required prior to implementation.

On the issue of conditional and suspended compliance, we prefer the CUWA/EWC model, which sets specific time frames for each phase. Having a well-defined process clarifies expectations and leaves less to the discretion of the CUWCC.

As for the formation of a review team responsible for making certification decisions, we favor KCWA/BVCSD's second option, which calls for the creation of a nine-member certification committee made up of three Group 1 and three Group 2 representatives elected by the CUWCC Plenary, and three members-at-large elected by the six team members from Group 1 and Group 2. Certification would require a simple majority vote. We believe that the alternative of having the review team appointed by the State, as the CUWA/EWC proposal describes, could politicize the process unnecessarily and be detrimental to its success.

In the case of requirements of first-tier wholesalers, we cannot completely favor either proposal. It would seem that an option somewhere between the two would be preferable. On one hand, we understand KRVWA/BVCSD's concern that first-tier wholesalers should not be required to incur costs that would be passed on to their customers when such investments might not be desired or appropriate in their regions. On the other hand, although we find that wholesaler-funded conservation programs tend to be easy to implement and well received by our customers, the CUWA/EWC proposal might not be flexible enough. Perhaps the Program should require wholesalers to reach an agreement with water retailers as to what level of wholesaler participation is needed in a given area to ensure regional compliance.

Lastly, we agree very strongly with the KCWA/BVCSD that only water suppliers subject to a non-compliance finding should have the right to appeal a certification decision. Any party will have the opportunity to provide input on a given water supplier's application for certification, since the process is a public one. But if a water supplier takes on the considerable effort of meeting requirements for certification, and receives that certification from a balanced review team like that described above, it would be offensive and unnecessary to have that certification questioned by a third party.

Thank you for your consideration of our input. We have always taken an active role in promoting water conservation, and we understand the importance of conservation in the overall effort to solve the problems of the Bay-Delta.

Sincerely,

